GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:7502
ANSWERED ON:16.05.2002
HOLDING OF STOCKS IN ORDNANCE FACTORIES
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Will the Minister of DEFENCE be pleased to state:

(a) whether there is any policy to hold stocks of different types of stores at ordnance factories;

(b) if so, the details of the type-wise stores and the period for which the stocks can be retained in stores;

(c) whether the CAG in its report 7 of 2002 has found the stock holding much in excess;

(d) if so, the details of the stock holding that were in excess of the provisions during the last three years; ordnance factory-wise and year-wise; and

(e) the action taken by the Government on the violation of the provisions in the policy?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) Yes, Sir.

(b) As per the existing provisioning procedure, the Ordnance Factories are authorized to hold stock of different types of stores as under:-

Types of stores	Monthly requirement authorized to be held in stock
Imported items	12 months
Difficult indigenous items	9 months
Other indigenous items	6 months

(c) to (e): The average stock holding of the Ordnance Factories organisation as a whole during 2000-2001 as reported by C&AG in its report No. 7 of 2002 was equivalent to 162 days requirement and as such was within authorized limit of six months. However, the stock holding during 2000-2001 in five Ordnance Factories was more than authorized limit. The stock holding with respect to these five factories for last three years is given below:-

Name of the Factory	Closing balance of stock as on		
	31.3.2000	31.3.2001	31.3.2002+
	(Rs. in Crores)		
Heavy Vehicle Factory, Avadi (HVF)	496.18	571.63	459.22
Machine Tool Prototype Factory, Ambernath (MTPF)	8.38	9.92	8.77
Opto Electronics Factory,Dehra Dun(OLF)	19.61	16.16	13.43
Engine Factory, Avadi (EFA)	38.87	40.54	32.66
Ordnance Factory, Ambernath (OFA)	58.85	71.24	47.00

+ Estimated

The higher inventory holding at HVF is mainly due to non issue of tanks and repair work on tanks because of vigorous test and trials by the indentor. Similarly the valuable items of inventory holding at EFA and OLF are of imported origin and are difficult to procure needing long lead time. The volume of requirement of these items being small, it is not feasible to buy these items with staggered delivery. This has resulted in increase in inventory level.

Ordnance Factory Board have taken various remedial measures including staggering of delivery schedules of the inputs to reduce the inventory level in respect of above five factories. As a result the level of inventory has come down as on 31.3.2002.